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American Petroleum Institute
1220 L Street, Northwest
Washington, D.C. 20005

Monthly Statistical Report

Prepared by the Statistics Department

Vol. 8, No. 8

SEPTEMBER 19, 1984

AUGUST 1984

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic products were supplied in August at a 1.2% higher rate than in August of last year, with light product increases partly offset by lower demand for residual fuel oil.

Product supplied last month was roughly 500 MBD below the trend of recent months and appears to reflect inventory changes at the non-primary level, general price uncertainties, and a moderating rate of economic activity. Year-to-year increases in industrial production, for example, a good gauge of the economy, while still strong at more than 9%, are down from the 15% - 16% range experienced early in the year. Attached Exhibits (I-A through I-D) show the deseasonalized 12 month trend for total domestic deliveries and three of its major components.

Crude oil production is estimated to have risen about 1.2% over last August's level. Imports continue to trail last year's level with decreases in both crude and product imports. Total inventories fell almost 7 million barrels, while they normally rise some 16 million barrels at this time of year. Reduction of crude inventories, presumably related to market uncertainties, and adjustment of gasoline stocks to more normal levels accounted for this counter-seasonal decline. Distillate build-up continued at normal rates.

Drilling activity continues to show a mixed pattern. The number of active rigs rose 12% over last August's but, seasonally adjusted, continues to show little change from early in the year. The number of wells reported drilled rose about 3% in July over last July's level. August drilling data are not yet available.

PRODUCTS SUPPLIED[1/]

Gasoline

ABOUT 1.3% AHEAD OF LAST AUGUST.

The level of gasoline supplied rose 87 MBD (1.3%) during August compared with year-earlier levels, somewhat below the past few months' rate of increase. Exhibit I-B reflects a 170 MBD, roughly 3% upward departure of gasoline delivery levels from the 12 month trend in July, while August's level was about 1% below that trend. Such zig-zag movements are often caused by changes in non-primary stock levels; indications are that August's lower level of gasoline supplied may be at least partly related to inventory drawdowns.

Though gasoline pump prices started to rally in mid-month after falling continuously since the beginning of May, they were, on average, still about ¾¢ per gallon below July levels and trailed last year's inflation-adjusted price by about 12¢ per gallon, or 9%. The decline in gasoline prices—an inflation-adjusted drop of about 25% since early 1981—and substantial gains in real disposable income (up about 8% June '83/June'84) are the major factors that have been providing an underpinning for the recovery of gasoline demand from its recent-years low in 1982.

Unleaded gasoline is, at close to 61%, at its highest monthly level ever and more than five percentage points above last August's share of total motor gasoline demand. Sales of new cars continue to be strong, though August's year-to-year increase was about one percentage point below the first 7 months' average gain.

Distillates

UP 3%.

Deliveries of distillates exceeded last August's level by 78 MBD (3.1%), compared with a roughly 250 MBD year-to-year increase during the prior month. The August comparison is distorted by the fact that August 1983, on a deseasonalized basis, had the highest level of deliveries of the year, seemingly because of filling of secondary inventories (See Exhibit I-C). While truck traffic volume is showing some signs of lesser activity increases, rail traffic appears to have been strong in August. These year-to-year increases in traffic continue to add substantial volume to distillate delivery levels.

Residual Fuel Oil

7% BELOW LAST AUGUST. Residual fuel oil was supplied at a 102 MBD (7.3%) lesser rate than last August. Year-to-year decreases in bunker fuel deliveries have grown from roughly 20 MBD early in the year to a recent average decline level of 40 MBD. With uncertainty continuing in world petroleum markets, this significant segment of worldwide shipping activity has been adversely affected. Petroleum imports into the United States, for example, have recently been below year-earlier levels.

Early this year, to meet additional generating demand caused by a cold winter, deliveries to electric utilities had shown increases. With incremental needs filled, however, deliveries to the utilities dropped. Though the rate of decline has recently moderated, deliveries to electric utilities declined 70 MBD in the second quarter.

In a comparison of related data, residual fuel oil's share of input for electricity generation fell from 6% to 5% of total (5 months-1984/1983). It was in fact the utilities' only fuel source to fall in volume despite higher total input.

There is little reason to believe that the pattern has changed during the most recent months. In addition, electricity production during July and August, likely in response to considerably cooler weather than last year, was about the same as a year ago. This contrasts with increases in the 7%-8% range in preceding months.

Recent-month declines in the bunker and utilities sectors have been partially offset by increases in the "industrial and other" sector. These increases are partly due to prior-year delivery levels approaching their trough at mid-year. In addition, some benefit is being derived from the current economic recovery, though there is little evidence that residual fuel oil has benefited proportionately from added energy demand.

Margins between residual fuel oil and natural gas prices, the major fuels competing for added demand in the predominantly dual-fuel-capability industrial market, have not changed sufficiently in recent months to provide a compelling incentive for selecting one fuel source over the other. Residual fuel oil prices, which had declined in July and early August, subsequently recovered somewhat and stabilized. Prices for natural gas have not varied substantially over the past year.

The deseasonalized trend of residual fuel oil deliveries since January 1983 is shown in Exhibit I-D.

Kerosine Jet Fuel

UP 5½%. Deliveries of kerosine jet fuel increased about 5½% in August compared with last year's level. However, deliveries since spring have averaged more than 8% over the corresponding period last year, versus a roughly 10% increase in miles flown. The data continue to suggest that gains in efficiency are no longer being realized at rates such as were experienced in the early 80's as a result of operational changes.

Other Oils

UP SLIGHTLY. Other oils were supplied at a 1.4% greater rate in August than a year ago. This somewhat lower rate of year-to-year increase in deliveries, much as the prior month's, seems to reflect the slight cooling of general economic activity. Sales in the chemical industry, a large user of products in the "other oils" category, while still strong, are reported to have risen at a somewhat slower pace over last year during the second quarter than during the first quarter.

(In millions of B/D)	AUGUST ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.7	15.5	1.2	15.8	15.0	5.2
—Motor gasoline supplied	7.0	6.9	1.3	6.7	6.6	2.0
—Distillate fuel oil supplied	2.6	2.5	3.1	2.9	2.6	10.7
—Residual fuel oil supplied	1.3	1.4	(7.3)	1.5	1.4	1.6

PETROLEUM SUPPLY[1/]

Total supply fell 647 MBD from last August's level, essentially because of lower imports.

Production

UP 1.2%. For the year to date, production has continued to maintain the slight year-to-year advance of the past two years in marked contrast with the pre-decontrol decreases of much of the seventies. August crude oil production was 102 MBD (1.2%) greater than last year. That recent year-to-year increases have resulted either entirely or to a significant degree from higher output in the lower 48 has been somewhat surprising.

Imports

DOWN 13% FROM LAST YEAR'S LEVELS.

Imports were 754 MBD (13.0%) lower than year-earlier levels in August because of continued uncertainty arising from substantial production and pricing swings in world markets. Production by OPEC countries, basically the swing producers, rose substantially in June, fell back in July, and reportedly dropped even further in August. Prices on spot markets responded with significant declines into late July and partial price recovery during August. The August reduction in imports is believed to reflect a reluctance, in June and July, to purchase crude for inventory in the face of possibly falling prices.

Imports of residual fuel fell about 200 MBD, essentially accounting for the entire decline in product imports. August's gasoline and distillate imports were at about the same level as last year. During June, Mexico recaptured first place as a source of U.S. petroleum imports, followed by Venezuela, Canada, and Indonesia, in that order.

Inventories

CRUDE AND GASOLINE INVENTORIES DECLINE.

Total inventories fell almost 7 million barrels; the seasonal norm calls for a roughly 16 million barrel build-up. Crude oil inventories fell into the lower segment of the 340-360 million barrel range, a span that has prevailed for the past two years. Gasoline inventories experienced some further downward adjustment; high early-year production levels that accompanied efforts to replenish distillate inventories had held gasoline stocks above normal seasonal levels. Gasoline inventories represented 32 days of supply at the end of August, about in line with the average since the mid-seventies.

Distillate inventory accumulation in preparation for the start of the main heating season in November continued, with distillate inventories rising at normal seasonal rates during August. Production has been above 1983 levels in each month since the beginning of the year, averaging some 300 MBD more for the year than for the corresponding 1983 period. In addition, distillate imports doubled in that period, making about 130 MBD of additional supplies available to the market.

Refinery Operations

UTILIZATION AT 1984 HIGH.

Input to distillation units rose about 200 MBD over August 1983 levels, while operable capacity decreased some 650 MBD. The combined result was an increase of more than four percentage points in the refinery utilization rate to over 78%. While utilization is at the highest average monthly rate so far in 1984, there is still some 3 million barrels of additional refining capacity available.

Exploration

RIG COUNT UP 12%. WELLS REPORTED IN JULY INCREASED 3% OVER LAST YEAR.

The number of active rigs was 12% ahead of last August's level but has not shown any dramatic changes since early this year . Wells reported drilled rose 2.6% in July over last July's level. August data are not yet available.

(In millions of B/D)	AUGUST ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	16.2	16.9	(3.8)	16.5	15.6	6.3
—Crude production[2/]	8.8	8.7	1.2	8.8	8.7	0.9
—Crude oil imports[3/4/]	3.3	3.9	(14.6)	3.2	3.0	8.3
—Product imports	1.7	1.9	(9.8)	2.0	1.7	22.7

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 429 million barrels as of August 31, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

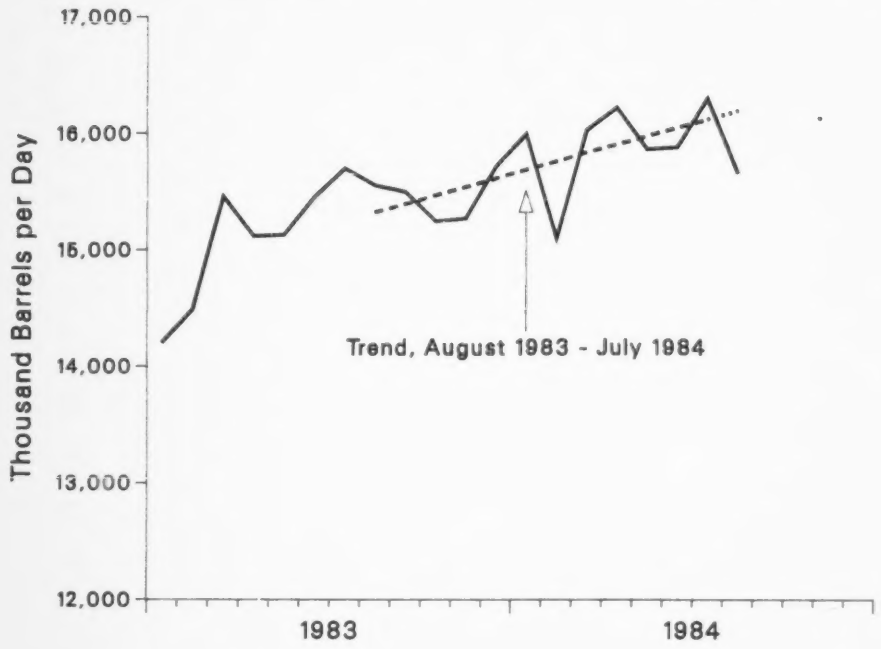
Products Supplied/Supply From Primary Storage	AUGUST			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	7,023	6,936	1.3	6,719	6,587	2.0
Finished leaded motor gasoline*	2,766	3,100	(10.8)	2,794	3,000	(6.9)
Finished unleaded motor gasoline*	4,257	3,836	11.0	3,925	3,587	9.4
Naphtha-jet	259	224	15.6	221	214	3.3
Kerosine-jet	896	849	5.5	917	821	11.7
Distillate fuel oil	2,573	2,495	3.1	2,886	2,606	10.7
Residual fuel oil	1,298	1,400	(7.3)	1,461	1,438	1.6
All other oils[4]	3,846	3,794	1.4	3,803	3,495	8.8
Reclassified[5]	- 234	- 216	8.3	- 223	- 152	46.7
Total domestic products supplied	15,661	15,482	1.2	15,784	15,009	5.2
Exports	760	663	14.6	725	787	(7.9)
Total products supplied	16,421	16,145	1.7	16,509	15,796	4.5
Supply:						
Domestic production:						
Crude oil[6]	8,781	8,679	1.2	8,770	8,692	0.9
Natural gas liquids	1,614	1,562	3.3	1,605	1,539	4.3
Other supply[7]	757	804	(5.8)	903	688	31.3
Total domestic supply	11,152	11,045	1.0	11,278	10,919	3.3
Imports:						
Crude oil, total	3,312[10/]	3,876[10/]	(14.6)	3,225[10/]	2,978[10/]	8.3
Canadian	245	301	(18.6)	320	267	19.9
Other	3,067	3,575	(14.2)	2,905	2,711	7.2
Products, total	1,743	1,933	(9.8)	2,031	1,655	22.7
Residual fuel oil	545	739	(26.3)	740	703	5.3
Other	1,198	1,194	0.3	1,291	952	35.6
Total imports	5,055	5,809	(13.0)	5,256	4,633	13.4
Total supply	16,207	16,854	(3.8)	16,534	15,552	6.3
Stock change, all oils	- 214	+ 709	XXXX	+ 25	- 244	XXXX
Refinery Operations						
Input to crude oil distillation units	12,553	12,359	1.6	12,238	11,880	3.0
Operable capacity	16,074	16,742	(4.0)	16,107	16,840	(4.4)
Refinery utilization (%)[8]	78.1%	73.8%	5.8	76.0%	70.5%	7.8
Crude oil runs	12,394	12,152	2.0	12,067	11,593	4.1

Stocks (millions bbls.)	1984		1983[2]	% Change from ...	
	Aug. 31[9]	July 31[9]	Aug. 31	Previous Month	Year Ago
Crude oil [10/]	341.6	353.3r/	348.7	(3.3)	(2.0)
Unfinished oils	105.8	106.3	110.6	(0.5)	(4.3)
Total motor gasoline**	226.3	236.7r/	226.3	(4.4)	-
Finished leaded motor gasoline*	86.7	91.4r/	95.4	(5.1)	(9.1)
Finished unleaded motor gasoline*	101.4	107.0	89.4	(5.2)	13.4
Naphtha-jet	7.3	7.1	6.4	2.8	14.1
Kerosine-jet	39.0	35.3r/	33.6	10.5	16.1
Distillate fuel oil	137.0	125.4r/	142.4	9.3	(3.8)
Residual fuel oil	47.7	50.6	48.3	(5.7)	(1.2)
All other oils	175.9	172.5r/	191.4	2.0	(8.1)
Total all oils	1,080.6	1,087.2r/	1,107.7	(0.6)	(2.4)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-June, U.S. Department of Energy, July-August, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

EXHIBIT I-A

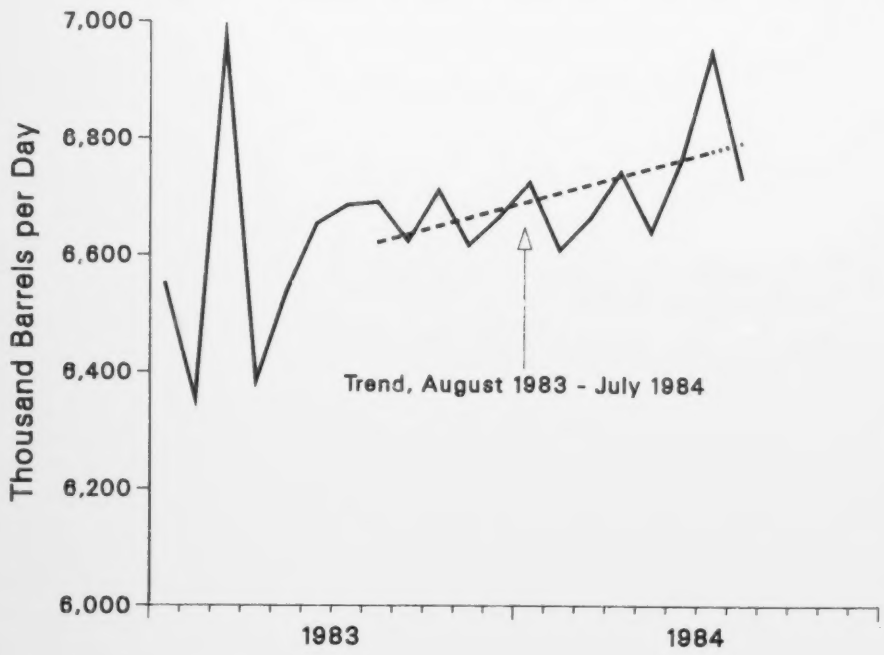
SEASONALLY ADJUSTED TOTAL PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT I-B

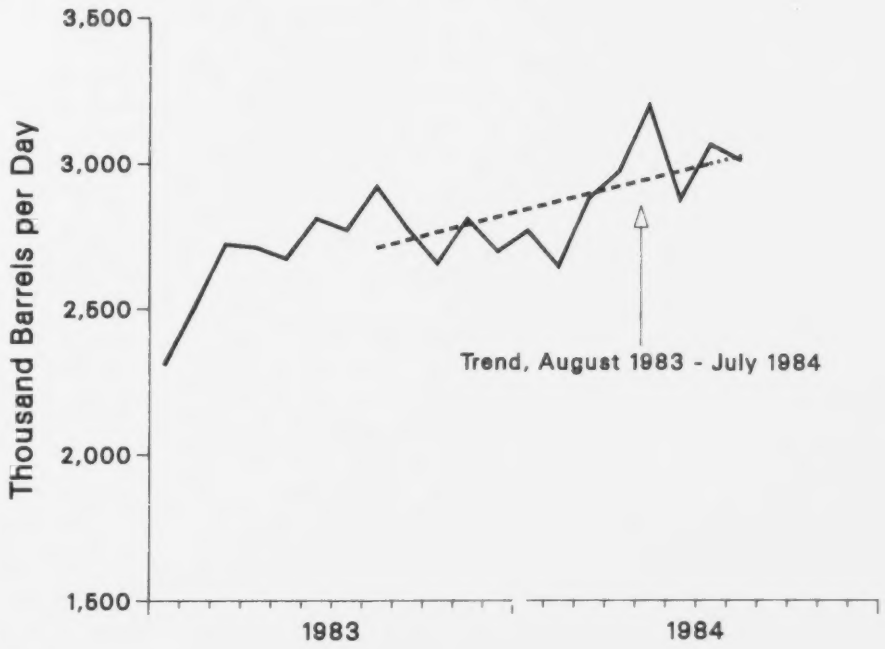
SEASONALLY ADJUSTED MOTOR GASOLINE SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT I-C

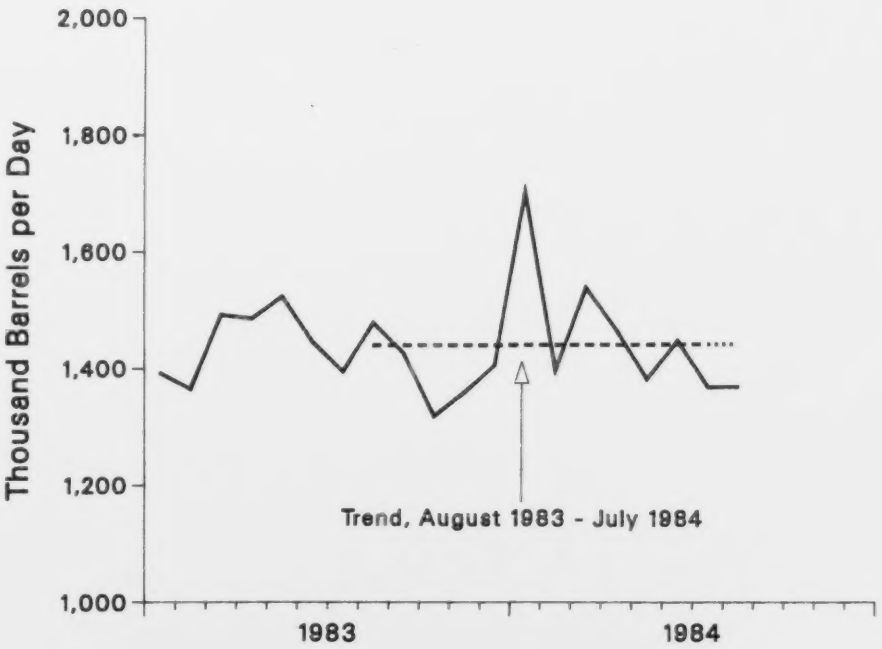
SEASONALLY ADJUSTED, WEATHER ADJUSTED DISTILLATE SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT I-D

SEASONALLY ADJUSTED RESIDUAL FUEL OIL SUPPLIED



Sources: Department of Energy, American Petroleum Institute